

May 10, 2013



The Honorable Dave Camp
Chairman
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Fred Upton
Chairman
Committee on Energy Commerce
United States House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Henry Waxman
Ranking Member
Committee on Energy Commerce
United States House of Representatives
Washington, D.C. 20515

RE: SGR Repeal and Reform Proposal: Medicare Payment Locality Update Needed in California

Dear Chairman Camp and Upton and Ranking Members Levin and Waxman:

The California Hospital Association (CHA), representing more than 400 hospitals and health systems across the state, applauds your efforts to resolve the problems plaguing the Medicare payment program for physicians and urge your careful attention to a specific problem in 14 counties in California.

The long outdated geographic locality designations used in the current payment formula for physicians designates 14 counties, including some as large as San Diego, Monterey and Sacramento, as "rural", thereby reducing payments and ignoring demographic and practice cost increases. The geographic regions used by Medicare for hospitals are updated regularly so that hospital reimbursement accurately reflects local costs to deliver care. Unfortunately, the physician regions have not been updated in 15 years. As hospitals and physicians work together to provide care in their local communities, it is only fair that they receive accurate payment for the services they provide.

Physicians practicing in these misclassified regions are paid as much as 14% below what Medicare would pay if they were in a correctly classified region. About a third to one half of the physician groups and hospitals in these regions report difficulty recruiting physicians because the cost of living and the cost to practice are high but the Medicare locality payments have not kept pace with these real costs. Most of these regions have lost substantial numbers of physicians. *Thus, patients in these regions report serious access to care challenges, including long waiting times to see physicians.* Exacerbating the problem is the fact that private payers track Medicare payments so the Medicare locality payments negatively impact access to care for all patients.

CHA supports the solution proposed by Representatives Darrel Issa and Sam Farr to redistribute physician payments within California in a way that would have no fiscal impact on the federal government. Their plan is a California financed solution to a California problem. We acknowledge that the outdated Medicare payment localities are a national problem that needs reform, but we urge you to start by addressing the most pressing concerns in California where the payment discrepancies are the largest.

We urge your support for this important effort to address more equitable payments for physicians in California and preserving access to care for all Californians. Please contact Anne O'Rourke in CHA's Washington, DC office at 202.488.4494 or aorourke@calhospital.org if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Duane Dauner", is displayed on a light gray rectangular background.

C. Duane Dauner
President and CEO